



Senate

General Assembly

January Session, 2015

File No. 241

Senate Bill No. 23

Senate, March 26, 2015

The Committee on Insurance and Real Estate reported through SEN. CRISCO of the 17th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING GROUP-WIDE SUPERVISION FOR INTERNATIONALLY ACTIVE INSURANCE GROUPS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 38a-135 of the general statutes is amended by
2 adding subsection (o) as follows (*Effective October 1, 2015*):

3 (NEW) (o) (1) As used in this subsection: (A) "Group-wide
4 supervisor" means the regulatory official (i) authorized by such
5 official's jurisdiction to conduct and coordinate group-wide
6 supervisory activities, and (ii) who is determined or acknowledged to
7 be the group-wide supervisor of an internationally active insurance
8 group pursuant to this subsection; and (B) "internationally active
9 insurance group" means any insurance holding company system that
10 (i) includes an insurance company registered pursuant to this section,
11 and (ii) meets the following criteria: (I) Premiums are written in at least
12 three countries; (II) the percentage of gross premiums written without
13 the United States is at least ten per cent of the insurance holding
14 company system's total gross written premiums; and (III) based on a
15 three-year rolling average, the total assets of the insurance holding

16 company system are at least fifty billion dollars or the total gross
17 written premiums of the insurance holding company system are at
18 least ten billion dollars.

19 (2) (A) The commissioner, in cooperation with other state, federal
20 and international regulatory agencies of the jurisdictions where
21 members of the internationally active insurance group are domiciled,
22 shall determine a single group-wide supervisor for an internationally
23 active insurance group. An insurance holding company system that
24 does not qualify as an internationally active insurance group may
25 request that the commissioner make a determination or
26 acknowledgment of a group-wide supervisor as set forth in this
27 subsection.

28 (B) The commissioner may determine that the commissioner is the
29 appropriate group-wide supervisor for an internationally active
30 insurance group that conducts substantial insurance business
31 operations in this state and may act as a group-wide supervisor for any
32 internationally active insurance group in accordance with the
33 provisions of this subsection.

34 (C) The commissioner may acknowledge that the regulatory official
35 of another jurisdiction is an appropriate group-wide supervisor for an
36 internationally active insurance group that (i) does not conduct
37 substantial insurance business operations in the United States, (ii)
38 conducts substantial insurance business operations in the United States
39 but not in this state, or (iii) conducts substantial insurance business
40 operations in the United States and in this state but the commissioner
41 has determined, pursuant to the factors set forth in subdivision (3) of
42 this subsection, that the regulatory official of another jurisdiction is the
43 appropriate group-wide supervisor.

44 (D) When another regulatory official is acting as the group-wide
45 supervisor of an internationally active insurance group, the
46 commissioner shall acknowledge such official as the group-wide
47 supervisor, except that the commissioner shall make a determination
48 or acknowledgement of a group-wide supervisor for such insurance

49 group if a material change in such insurance group results in (i) the
50 largest share of such insurance group's premiums, assets or liabilities
51 being held by member insurance companies domiciled in this state, or
52 (ii) this state being the place of domicile of the top-tiered insurance
53 company or companies in such insurance group.

54 (E) A regulatory official determined or acknowledged to be a group-
55 wide supervisor of an internationally active insurance group may
56 determine, after considering the factors set forth in subdivision (3) of
57 this subsection, that it is appropriate to acknowledge another
58 regulatory official to serve as the group-wide supervisor of such
59 insurance group. Such acknowledgment shall be made (i) in
60 cooperation with and subject to the acknowledgment of other
61 regulatory officials of the jurisdictions where members of such
62 insurance group are domiciled, and (ii) in consultation with such
63 insurance group.

64 (3) The commissioner shall consider the following factors in making
65 a determination or acknowledgment under subdivision (2) of this
66 subsection:

67 (A) The place of domicile of the member insurance companies of the
68 internationally active insurance group that hold the largest share of
69 such insurance group's premiums, assets or liabilities;

70 (B) The place of domicile of the top-tiered insurance company or
71 companies in the internationally active insurance group;

72 (C) The locations of the executive offices or the largest operational
73 offices of the internationally active insurance group; and

74 (D) Whether (i) a regulatory official of another jurisdiction is acting
75 or seeking to act as the group-wide supervisor under a regulatory
76 system the commissioner determines to be substantially similar to that
77 provided under the laws of this state or is otherwise sufficient in terms
78 of group-wide supervision, enterprise risk analysis and cooperation
79 with other regulatory officials, and (ii) such regulatory official acting

80 or seeking to act as the group-wide supervisor provides the
81 commissioner with reasonably reciprocal recognition and cooperation.

82 (4) The commissioner may collect, pursuant to section 38a-14a, from
83 any insurance company registered pursuant to this section any
84 information necessary for the commissioner to determine whether the
85 commissioner may act as the group-wide supervisor of an
86 internationally active insurance group of which such company is a
87 member or whether the commissioner may acknowledge that a
88 regulatory official of another jurisdiction should act as the group-wide
89 supervisor of such insurance group.

90 (5) Prior to issuing any determination or acknowledgment under
91 this subsection, the commissioner shall notify the member insurance
92 company registered pursuant to this section and the ultimate
93 controlling person of the internationally active insurance group of such
94 pending determination or acknowledgment. The commissioner shall
95 provide the internationally active insurance group at least thirty
96 calendar days to submit any additional information pertinent to such
97 determination or acknowledgment that is requested by the
98 commissioner or that such insurance group chooses to submit. The
99 commissioner shall publish in the Connecticut Law Journal and post
100 on the Insurance Department's Internet web site a current list of
101 internationally active insurance groups that the commissioner has
102 determined are subject to group-wide supervision by the
103 commissioner.

104 (6) The commissioner may conduct and coordinate the following
105 group-wide supervision activities for an internationally active
106 insurance group for which the commissioner is determined to be the
107 group-wide supervisor:

108 (A) Assess the enterprise risks within the internationally active
109 insurance group to ensure that material financial conditions of and
110 liquidity risks to the members of such insurance group that are
111 engaged in the business of insurance are identified by management
112 and that reasonable and effective mitigation measures are in place;

113 (B) Request from members of such insurance group information
114 necessary and appropriate to assess enterprise risk, including, but not
115 limited to, information about governance, risk assessment and
116 management, capital adequacy and material intercompany
117 transactions;

118 (C) Coordinate and, through the authority of the regulatory officials
119 of the jurisdictions where members of the internationally active
120 insurance group are domiciled, compel the development and
121 implementation of reasonable measures designed to ensure the
122 internationally active insurance group is able to timely recognize and
123 mitigate material enterprise risks to the members of such insurance
124 group that are engaged in the business of insurance;

125 (D) Communicate with other state, federal and international
126 regulatory agencies of the jurisdictions where members of the
127 internationally active insurance group are domiciled and share
128 relevant information, subject to the confidentiality provisions of
129 section 38a-137, through a supervisory college, as set forth in
130 subsection (n) of this section;

131 (E) Enter into agreements with or obtain documentation from any
132 member insurance company registered under this section, any other
133 member of the internationally active insurance group and any other
134 state, federal and international regulatory agencies of the jurisdictions
135 where members of the internationally active insurance group are
136 domiciled, to establish or clarify the commissioner's role as group-
137 wide supervisor and that may include provisions for resolving
138 disputes with other regulatory officials. No such agreement or
139 documentation shall serve as evidence that an insurance company or
140 person within an insurance company holding system that is not
141 domiciled or incorporated in this state is doing business in this state or
142 is otherwise subject to the jurisdiction of this state; and

143 (F) Other activities necessary to effectuate the group-wide
144 supervisory purposes of this section and sections 38a-129 to 38a-140,
145 inclusive, and within the authority granted in said sections.

146 (7) If the commissioner acknowledges that a regulatory official of a
147 jurisdiction not accredited by NAIC is the group-wide supervisor of an
148 internationally active insurance group, the commissioner shall
149 reasonably cooperate through a supervisory college or otherwise with
150 group supervision undertaken by such group-wide supervisor,
151 provided such cooperation is in compliance with the laws of this state
152 and such group-wide supervisor recognizes and cooperates with the
153 commissioner's activities as a group-wide supervisor for other
154 internationally active insurance groups, where applicable. The
155 commissioner may refuse to cooperate if the commissioner determines
156 such recognition and cooperation are not reasonably reciprocated. The
157 commissioner may enter into agreements with or obtain
158 documentation from any member insurance company registered
159 pursuant to this section, any affiliate of such insurance company and
160 any other state, federal and international regulatory agencies of the
161 jurisdictions where members of the internationally active insurance
162 group are domiciled, to establish or clarify such official's role as group-
163 wide supervisor.

164 (8) The commissioner may adopt regulations, in accordance with the
165 provisions of chapter 54, to carry out the provisions of this subsection.

166 (9) Each insurance company registered pursuant to this section shall
167 be liable for and shall pay the reasonable expenses of the
168 commissioner's administration of this subsection, including the
169 engagement of the services of attorneys, actuaries and other
170 professionals and all reasonable travel expenses.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2015	38a-135

INS *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill makes a variety of changes to the statutes concerning the oversight of internationally active insurance groups. As these changes largely clarify the Insurance Department's existing authority, there is no fiscal impact

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**SB 23*****AN ACT CONCERNING GROUP-WIDE SUPERVISION FOR INTERNATIONALLY ACTIVE INSURANCE GROUPS.*****SUMMARY:**

This bill requires the insurance commissioner to select a group-wide supervisor for certain internationally active insurance groups that are also active in Connecticut. She must do this in cooperation with regulatory officials in other jurisdictions (state, federal, or international) where members of the insurance group are domiciled. The group-wide supervisor must be the commissioner or one of the other regulatory officials. The bill specifies the (1) factors to consider when selecting a group-wide supervisor and (2) commissioner's powers and responsibilities when selected to serve in that capacity.

By law, an insurance company authorized to do business in Connecticut that is in a group of two or more affiliates (i.e., an insurance holding company system), must register with the Insurance Department. Under the bill, each registered company must pay for the department's reasonable expenses incurred in administering the bill's provisions. These include retaining attorneys, actuaries, and other professionals and reasonable travel expenses.

Under the bill, an insurance holding company system that does not qualify as an internationally active insurance group may also request the commissioner to determine or acknowledge a group-wide supervisor.

The bill allows the commissioner to adopt regulations to implement its provisions.

EFFECTIVE DATE: October 1, 2015

DEFINITIONS

Under the bill, a “group-wide supervisor” is the regulatory official (1) authorized by his or her jurisdiction to conduct and coordinate group wide supervisory activities and (2) who is determined or acknowledged to be the group-wide supervisor of an internationally active insurance group.

An “internationally active insurance group” is an insurance holding company system that (1) includes an insurance company registered in Connecticut as a member of a holding company system and (2) has (a) written premiums in at least three countries with at least 10% of the gross written premiums from outside of the United States and (b) based on a three-year rolling average, total assets of at least \$50 billion or total gross written premiums of at least \$10 billion.

DETERMINING OR ACKNOWLEDGING THE GROUP-WIDE SUPERVISOR

Under the bill, the commissioner may determine that she is the appropriate group-wide supervisor for an internationally active insurance group that conducts substantial insurance business operations in Connecticut.

Alternatively, she may acknowledge that the regulatory official of another jurisdiction is the appropriate group-wide supervisor for an internationally active insurance group that (1) does not conduct substantial insurance business in the United States or (2) conducts substantial insurance business in the United States, but not in Connecticut. She may also acknowledge a regulatory official of another jurisdiction as group-wide supervisor if the insurance group conducts substantial insurance business in the United States and in Connecticut when she determines that the other official is the appropriate group-wide supervisor.

Under the bill, when another jurisdiction’s regulatory official is acting as the group-wide supervisor, the commissioner must acknowledge him or her as such. But the commissioner must determine or acknowledge a group-wide supervisor for the insurance

group when a material change in the group results in (1) the largest share of the group's premiums, assets, or liabilities being held by member companies domiciled in Connecticut or (2) Connecticut being the domicile of the top-tiered insurance company or companies in the group. (In industry practice, a top-tiered company refers to the company at the top of the holding company system.)

The bill allows a regulatory official who is determined or acknowledged to be the group-wide supervisor to determine that it is appropriate to acknowledge another regulatory official to serve as the group-wide supervisor. He or she must consider the same factors the commissioner considers when determining who should be the group-wide supervisor (see below). The acknowledgment must be made in (1) cooperation with, and subject to the acknowledgement of, other regulatory officials of the jurisdictions where the insurance group's member companies are domiciled and (2) consultation with the insurance group.

Factors to Consider

When determining who should be the group-wide supervisor, the commissioner must consider:

1. the domicile of the insurance group's member companies that hold the largest share of the group's premiums, assets, or liabilities;
2. the domicile of the insurance group's top-tiered insurance company or companies;
3. the locations of the insurance group's executive offices or largest operational offices; and
4. whether the regulatory official of another jurisdiction who is or is seeking to be the group-wide supervisor (a) is operating under a regulatory system the commissioner considers substantially similar to that provided under Connecticut law or is otherwise sufficient in terms of group-wide supervision, enterprise risk

analysis, and cooperation with other regulatory officials and (b) provides the commissioner with reasonably reciprocal recognition and cooperation.

Notice of Determination or Acknowledgment

Before issuing a determination or acknowledgment, the commissioner must notify the member insurance company registered in Connecticut and person who ultimately controls the internationally active insurance group of the pending decision. She must give the insurance group at least 30 days to submit additional information pertinent to the decision.

The bill requires the commissioner to publish in the Connecticut Law Journal a current list of internationally active insurance groups for which she has determined herself to be the group-wide supervisor. She must also post the list on the Insurance Department's website.

COMMISSIONER'S POWERS AND RESPONSIBILITIES

Information Collection

By law, the commissioner may order insurance companies to produce records, books, or other information in the possession of the company or its affiliates as are reasonably necessary to determine compliance with the holding company requirements. Under the bill, she may also collect, from any insurance company registered in Connecticut, any information she needs to determine or acknowledge who should be the group-wide supervisor of an internationally active insurance group. By law, if a company fails to comply with such an order, the commissioner has the authority to examine any affiliate to obtain the information (CGS § 38a-14a).

Activities Authorized

The bill authorizes the commissioner to conduct and coordinate the following activities for an internationally active insurance group she supervises:

1. assess the enterprise risks within the group to ensure (a)

management identifies the material financial conditions of, and liquidity risks to, the group's member insurance companies and (b) reasonable and effective mitigation measures are in place;

2. request from the group's member companies information needed and appropriate to assess enterprise risk, such as information about governance, risk assessment and management, capital adequacy, and material intercompany transactions;
3. coordinate and, through the authority of the regulatory officials where the group's member companies are domiciled, compel companies to develop and implement reasonable measures designed to ensure the group can timely recognize and mitigate material enterprise risks;
4. through a supervisory college (a group of insurance regulatory officials), communicate with the regulatory agencies where the group's member companies are domiciled and share relevant information subject to state law's confidentiality provisions; and
5. enter into agreements with, or obtain documentation from, any Connecticut-registered insurance company, any other member of the internationally active insurance group, and any other regulatory agencies where the group's member companies are domiciled, to establish or clarify the commissioner's role as group-wide supervisor, including dispute resolution provisions.

Such agreements or documentation cannot serve as evidence that a company or person within an insurance company holding system not domiciled or incorporated in Connecticut is doing business here or is otherwise subject to Connecticut's jurisdiction.

In addition, the commissioner may conduct and coordinate other activities needed to effectuate the bill's purposes.

Cooperating through Supervisory Colleges

Under the bill, if the commissioner acknowledges that a regulatory official of a jurisdiction not accredited by the National Association of Insurance Commissioners is the group-wide supervisor of an internationally active insurance group, she must reasonably cooperate through a supervisory college or otherwise with the group supervision that supervisor undertakes. But this cooperation must comply with Connecticut law and the group-wide supervisor must recognize and cooperate with the commissioner's activities as a group-wide supervisor for other internationally active insurance groups.

The commissioner may refuse to cooperate if she determines the recognition and cooperation are not reasonably reciprocated. She may enter into agreements with, or obtain documentation from, any Connecticut-registered insurance company, any of its affiliates, and any regulatory official of another jurisdiction where the group's member companies are domiciled, to establish or clarify that official's role as group-wide supervisor.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 19 Nay 0 (03/10/2015)